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USWEST

Janis A. Stahlhut
Director-Federal Relations

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EX PARTE

AUG 21 1992

August 21, 1992

Federal Communications Commission
Office of the Secretary

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Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Mail Stop 1700
Washington, DC 20554

AUG 21 1992

Federal Communications Commission
Office of the Secretary

Re: CC Docket 92-101: Employers' Accounting for Post Retirement Benefits Other Than Pensions

Dear Ms. Searcy:

This letter is submitted in accordance with the Commission's rules governing ex parte presentations. On August 20, 1992, Gene Wicks of TPF&C, Bill Johnston of U S WEST and I met with Mary Brown, Dan Grosh, Mike Mandigo and Mark Uretsky to discuss issues presented in U S WEST's pleadings in the above-referenced docket proceeding. The attached handouts were provided in the meeting. Please include a copy of this letter in the record in this proceeding.

Acknowledgment and date of receipt of this transmittal are requested. A duplicate letter is attached for this purpose.

If you have any questions, please call me.

Sincerely,

Janis Stahlhut

by Bill Johnston

Attachments

cc: Ms. Mary Brown
Mr. Dan Grosh
Mr. Mike Mandigo
Mr. Mark Uretsky
Mr. Gene Wicks, TPF&C

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DATE

U S WEST

POSTRETIREMENT BENEFITS

- SFAS 106 is a real cost
- SFAS 106 recognizes costs for -
 - Past service
 - Current service
- Pay-as-you-go accounting defers true cost of providing service to future generations and ratepayers.

Federal Communications Commission
Office of the Secretary

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08/20/92

POSTRETIREMENT BENEFITS

- SFAS 106 was not dreamed up by the telecommunications industry.
- The FASB debated post-retirement benefits for over 10 years.
 - CPA's
 - Industries
 - Economists
 - Investment Bankers
 - Actuaries

POSTRETIREMENT BENEFITS

- All significant assumptions were debated
- Discount rates
 - High quality fixed income investments
 - Cash flows must match timing of benefit payments
 - U S WEST used 8.5%
- Long-term rate of return on plan assets
 - Current returns
 - Expected returns
 - U S WEST used 8.5%

POSTRETIREMENT BENEFITS

- Claims costs
 - Other health providers including the government
 - Cost sharing provisions
 - Past and present claims data form the basis of projection
 - Medical trend rate
 - U S WEST used
 - + 9% for 1991-1995
 - + 8% for 1996-2000
 - + 7% for 2001-2005
 - + 6.5% for 2006+

POSTRETIREMENT BENEFITS

	<u>TOTAL</u>	<u>RETIRED</u>	<u>ACTIVE</u>
• APBO	\$2.8B	1.5B	1.3B
• Plan Assets	<u>.2B</u>		
• TBO	<u>\$2.6B</u>		

POSTRETIREMENT BENEFITS

Service cost	\$61,399
TBO amortization	127,431
Interest cost	231,618
Return on plan assets	<u>(16,598)</u>
TOTAL	<u>\$403,850</u>

Pay-as-you-go cost	\$121,609
VEBA payments	<u>61,399</u>
TOTAL	<u>\$183,008</u>

POSTRETIREMENT BENEFITS

- Total interest cost and return on plan assets apply to TBO only in year 1.
- In future years the interest cost and return are applied to both the TBO and service cost incurred after adoption.

POSTRETIREMENT BENEFITS

- Plan amendments that reduce cost are first applied to the TBO.
- Plan amendments that increase cost are amortized over the remaining service life.
- Cumulative gains and losses due to assumption changes are amortized over the remaining service life if they exceed 10% of the APBO.